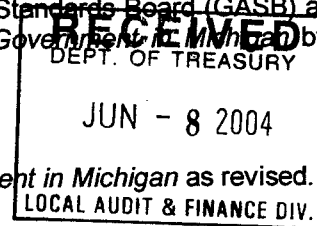


AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Sheridan	County Montcalm
Audit Date March 31, 2004	Opinion Date May 14, 2004	Date Accountant Report Submitted to State: May 14, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

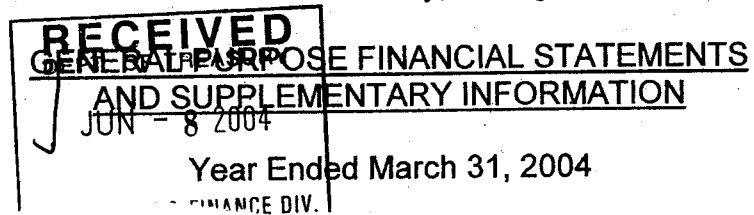
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the over funding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ yes ☐ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

VILLAGE OF SHERIDAN
Montcalm County, Michigan



VILLAGE OF SHERIDAN
Montcalm County, Michigan

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types and Account Groups	A	2-3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	4-5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds	C	6-7
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – All Proprietary Fund Types	D	8
Combined Statement of Cash Flows – All Proprietary Fund Types	E	9
Notes to Financial Statements		10-19
Supplementary Information:		
General Fund Expenditures by Detailed Account	F	20-21
Combining Balance Sheet – All Special Revenue Funds	G	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Special Revenue Funds	H	23
Combining Balance Sheet – All Enterprise Funds	I	24-25
Combining Statement of Revenues, Expenditures and Changes in Retained Earnings – All Enterprise Funds	J	26
Combining Statement of Cash Flows – All Enterprise Funds	K	27-28

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

May 14, 2004

To the Village Council
Village of Sheridan
Montcalm County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Sheridan, Montcalm County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Sheridan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Village has not maintained a record of its general fixed assets and, accordingly, the general purpose financial statements referred to above do not include the General Fixed Asset Account Group, which should be included in order to conform with accounting principles generally accepted in the United States.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Sheridan, Montcalm County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Sheridan, Montcalm County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A
Page 1

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Account Group</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>General Long- Term Debt</u>
<u>Assets</u>				
Cash in bank	164 813 47	158 873 07	339 300 77	-
Accounts receivable	-	-	42 998 62	-
Due from State of Michigan	12 983 00	11 734 20	-	-
Due from other funds	312 198 91	1 680 90	13 856 53	-
Restricted cash in bank	-	-	206 000 62	-
Land	-	-	30 835 00	-
Buildings	-	-	171 248 07	-
Equipment	-	-	121 286 16	-
Water and sewer systems	-	-	3 087 601 48	-
Accumulated depreciation	-	-	(1 398 128 77)	-
Deferred charges	-	-	2 732 00	-
Amount to be provided for retirement of general long-term debt	-	-	-	50 075 00
Total Assets	<u>489 995 38</u>	<u>172 288 17</u>	<u>2 617 730 48</u>	<u>50 075 00</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

662 987 31
42 998 62
24 717 20
327 736 34
206 000 62
30 835 00
171 248 07
121 286 16
3 087 601 48
(1 398 128 77)
2 732 00

50 075 00

3 330 089 03

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

Page 2

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Account Group</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>General Long- Term Debt</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	11 857 63	-	845 10	-
Due to other funds	751 38	76 228 44	250 756 52	-
Deferred revenue	2 250 00	-	-	-
Notes payable	-	-	4 669 68	50 075 00
Bonds payable	-	-	790 000 00	-
Accrued interest payable	-	-	5 458 33	-
Total liabilities	<u>14 859 01</u>	<u>76 228 44</u>	<u>1 051 729 63</u>	<u>50 075 00</u>
Fund equity:				
Contributed capital	-	-	428 477 60	-
Retained earnings:				
Reserved	-	-	206 000 62	-
Unreserved	-	-	931 522 63	-
Fund balances:				
Unreserved:				
Undesignated	<u>475 136 37</u>	<u>96 059 73</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>475 136 37</u>	<u>96 059 73</u>	<u>1 566 000 85</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>489 995 38</u>	<u>172 288 17</u>	<u>2 617 730 48</u>	<u>50 075 00</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

12 702 73
327 736 34
2 250 00
54 744 68
790 000 00
5 458 33

1 192 892 08

428 477 60

206 000 62
931 522 63

571 196 10

2 137 196 95

3 330 089 03

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	156 012 13	-	156 012 13
State revenue sharing	72 751 50	60 959 83	133 711 33
Charges for services	2 086 79	-	2 086 79
Rent	12 030 00	-	12 030 00
Equipment rental	26 713 06	-	26 713 06
Interest	1 022 59	2 263 93	3 286 52
Miscellaneous	9 108 50	4 382 50	13 491 00
Total revenues	<u>279 724 57</u>	<u>67 606 26</u>	<u>347 330 83</u>
Expenditures:			
Legislative:			
Village Council	1 113 00	-	1 113 00
General government:			
President	395 00	-	395 00
Elections	435 35	-	435 35
Attorney	1 419 11	-	1 419 11
Clerk	8 395 39	-	8 395 39
Treasurer	27 305 79	-	27 305 79
Village hall and grounds	108 810 30	-	108 810 30
Cemetery	532 89	-	532 89
Public safety:			
Fire protection	16 480 00	-	16 480 00
Police protection	17 861 78	-	17 861 78
Public works:			
Highways and streets	-	139 937 26	139 937 26
Culture and recreation:			
Parks	793 30	-	793 30
Community center	9 229 26	-	9 229 26
Other:			
Insurance	15 957 23	-	15 957 23
Pension	5 699 73	-	5 699 73
Payroll taxes	5 534 57	-	5 534 57
Capital outlay	87 495 00	-	87 495 00
Total expenditures	<u>307 457 70</u>	<u>139 937 26</u>	<u>447 394 96</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Excess (deficiency) of revenues over expenditures	<u>(27 733 13)</u>	<u>(72 331 00)</u>	<u>(100 064 13)</u>
Other financing sources (uses):			
Loan proceeds	50 075 00	-	50 075 00
Operating transfers in	-	9 431 06	9 431 06
Operating transfers out	-	<u>(9 431 06)</u>	<u>(9 431 06)</u>
Total other financing sources (uses)	<u>50 075 00</u>	<u>-</u>	<u>50 075 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	22 341 87	(72 331 00)	(49 989 13)
Fund balances, April 1	<u>452 794 50</u>	<u>168 390 73</u>	<u>621 185 23</u>
Fund Balances, March 31	<u>475 136 37</u>	<u>96 059 73</u>	<u>571 196 10</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	147 000 00	156 012 13	9 012 13
State revenue sharing	75 075 00	72 751 50	(2 323 50)
Charges for services	3 900 00	2 086 79	(1 813 21)
Rents	14 400 00	12 030 00	(2 370 00)
Equipment rental	21 000 00	26 713 06	5 713 06
Interest	2 330 00	1 022 59	(1 307 41)
Miscellaneous	<u>1 955 00</u>	<u>9 108 50</u>	<u>7 153 50</u>
Total revenues	<u>265 660 00</u>	<u>279 724 57</u>	<u>14 064 57</u>
Expenditures:			
Legislative:			
Village Council	3 200 00	1 113 00	(2 087 00)
General government:			
President	1 000 00	395 00	(605 00)
Elections	430 00	435 35	5 35
Attorney	500 00	1 419 11	919 11
Clerk	8 275 00	8 395 39	120 39
Treasurer	26 944 00	27 305 79	361 79
Village hall and grounds	88 733 00	108 810 30	20 077 30
Cemetery	7 211 00	532 89	(6 678 11)
Public safety:			
Fire protection	16 480 00	16 480 00	-
Police protection	24 237 00	17 861 78	(6 375 22)
Public works:			
Highways and streets	-	-	-
Culture and recreation:			
Parks	9 850 00	793 30	(9 056 70)
Community center	10 580 00	9 229 26	(1 350 74)
Other:			
Insurance	27 000 00	15 957 23	(11 042 77)
Pension	3 800 00	5 699 73	1 899 73
Payroll taxes	9 500 00	5 534 57	(3 965 43)
Capital outlay	<u>27 920 00</u>	<u>87 495 00</u>	<u>59 575 00</u>
Total expenditures	<u>265 660 00</u>	<u>307 457 70</u>	<u>41 797 70</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
56 400 00	60 959 83	4 559 83
-	-	-
-	-	-
3 200 00	2 263 93	(936 07)
<u>5 000 00</u>	<u>4 382 50</u>	<u>(617 50)</u>
<u>64 600 00</u>	<u>67 606 26</u>	<u>3 006 26</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
184 888 00	139 937 26	(44 950 74)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>184 888 00</u>	<u>139 937 26</u>	<u>(44 950 74)</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(27 733 13)</u>	<u>(27 733 13)</u>
Other financing sources (uses):			
Loan proceeds	-	50 075 00	50 075 00
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>50 075 00</u>	<u>50 075 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	22 341 87	22 341 87
Fund balances, April 1	<u>-</u>	<u>452 794 50</u>	<u>452 794 50</u>
Fund Balances, March 31	<u>-</u>	<u>475 136 37</u>	<u>475 136 37</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>(120 288 00)</u>	<u>(72 331 00)</u>	<u>47 957 00</u>
-	-	-
9 400 00	9 431 06	31 06
<u>(9 400 00)</u>	<u>(9 431 06)</u>	<u>(31 06)</u>
-	-	-
(120 288 00)	(72 331 00)	47 957 00
<u>196 727 10</u>	<u>168 390 73</u>	<u>(28 336 37)</u>
<u>76 439 10</u>	<u>96 059 73</u>	<u>19 620 63</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES

EXHIBIT D

Year Ended March 31, 2004

	Total (Memorandum Only)
Operating revenues:	
Charges for services	102 512 18
Miscellaneous	6 348 05
Total operating revenues	<u>108 860 23</u>
Operating expenses:	
Wages	24 993 47
Benefits	11 339 54
Contracted services	9 825 31
Supplies	4 559 88
Utilities	9 947 38
Repairs and maintenance	32 795 11
Insurance	5 673 33
Equipment rental	14 796 92
Miscellaneous	1 887 85
Total operating expenses before depreciation	<u>115 818 79</u>
Operating income (loss) before depreciation	(6 958 56)
Less: depreciation	<u>(81 101 21)</u>
Operating income (loss)	<u>(88 059 77)</u>
Nonoperating income and (expense):	
Charges for debt service	81 664 57
Interest income	7 333 78
Interest expense	<u>(39 723 33)</u>
Net nonoperating income and (expense)	<u>49 275 02</u>
Net income (loss)	(38 784 75)
Retained earnings, April 1	<u>1 176 308 00</u>
Retained Earnings, March 31	<u>1 137 523 25</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINED STATEMENT OF CASH FLOWS-
ALL PROPRIETARY FUND TYPES
Year Ended March 31, 2004

EXHIBIT E

	Total (Memorandum Only)
Cash flows from operating activities:	
Cash received from customers	99 148 94
Cash payments to suppliers for goods and services	(88 072 80)
Cash payments to employees for services	(24 993 47)
Other operating receipts	6 348 05
Net cash provided (used) for operating activities	<u>(7 569 28)</u>
Cash flows from non-capital and related financing activities:	
Increase (decrease) in amounts due to other funds	31 554 99
Net cash provided (used) for noncapital and related financing activities	<u>31 554 99</u>
Cash flows from capital and related financing activities:	
Charges for debt service	81 664 55
Principal paid on revenue bond notes payable maturities	(32 559 32)
Interest paid on revenue bonds and note payable	(39 723 33)
Net cash provided (used) for capital and related financing activities	<u>9 381 90</u>
Cash flows from investing activities:	
Interest income	7 333 78
Net cash provided (used) for investing activities	<u>7 333 78</u>
Net increase (decrease) in cash and cash equivalents	40 701 39
Cash and cash equivalents, April 1	<u>504 600 00</u>
Cash and Cash Equivalents, March 31	<u>545 301 39</u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	(88 059 77)
Depreciation	81 101 21
Accounts receivable	(3 363 24)
Prepaid expenses	2 752 52
Net Cash Provided (Used) for Operating Activities	<u>(7 569 28)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERIDAN
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Sheridan, Montcalm County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Village contain all the Village funds and account groups that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Sheridan. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Enterprise Funds

The Enterprise funds reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

VILLAGE OF SHERIDAN
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Account Group

General Long-Term Debt Group of Accounts

The General Long-Term Debt Group of Accounts is used to record the nonproprietary long-term debt of the local unit.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund types. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

VILLAGE OF SHERIDAN
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1. These taxes are due on September 14 with the final collection date of September 30 before they are added to the county tax rolls. The Village 2003 tax roll millage rate was 11.5047 mills, and the taxable value was \$12,987,845.00.

Fixed Assets and Depreciation

Fixed assets in the Water and Sewer Funds are depreciated using the straight-line method over the estimated useful lives of the assets. Additions, improvements and major replacements are capitalized at cost. Maintenance, repairs and minor replacements are charged to expense as incurred.

Purchases of fixed assets for all other funds are recorded as expenditures in their respective funds at the time of purchase. The Village has not maintained the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amounts would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences

Village employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

VILLAGE OF SHERIDAN
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Village provides no postemployment benefits to past employees.

VILLAGE OF SHERIDAN
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Budget Variances

Public Act 621 of 1978 requires that a municipality shall not incur expenditures in excess of the amount appropriated. The approved budget of the Village for the General Fund was adopted on an activity level, and amended periodically by the Village Council. During the year ended March 31, 2004, the Village incurred expenditures in certain activities which were in excess of the amounts appropriated.

<u>Fund/Activity:</u>	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Elections	430 00	435 35	5 35
Attorney	500 00	1 419 11	919 11
Clerk	8 275 00	8 395 39	120 39
Treasurer	26 944 00	27 305 79	361 79
Village hall and grounds	88 733 00	108 810 30	20 077 30
Pension	3 800 00	5 699 73	1 899 73
Capital outlay	27 920 00	87 495 00	59 575 00

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated two banks for the deposit of Village funds. The Village has not adopted an investment policy which is required by Public Act 196 of 1997.

The Village's deposits and investments are in accordance with statutory authority.

VILLAGE OF SHERIDAN
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>868 987 93</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	120 476 28
Uninsured and Uncollateralized	<u>749 786 61</u>
Total Deposits	<u>870 262 89</u>

The Village of Sheridan did not have any investments as of March 31, 2004.

Note 4 – Segment Information

The following represents segment information for Enterprise Funds.

	<u>Water Fund</u>	<u>Sewer Fund</u>
Total assets	838 349 17	1 779 381 31
Total liabilities	328 286 70	723 442 93
Operating revenue	65 450 10	43 410 13
Depreciation expense	16 549 13	64 552 08
Net property and equipment	515 650 48	1 497 191 46
Net increase (decrease) in cash and cash equivalents	52 764 27	(12 062 88)
Long-term liabilities	145 000 00	605 000 00
Total equity	510 062 47	1 055 938 38
Operating income (loss)	(7 120 29)	(80 939 48)
Net income (loss)	12 714 44	(51 499 19)
Net working capital	136 679 99	163 746 92

VILLAGE OF SHERIDAN
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 5 – Fixed Assets

A summary of proprietary fund type property, plant, and equipment at March 31, 2004, follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Fixed assets cost	731 056 47	2 679 914 24
Less accumulated depreciation	<u>(215 405 99)</u>	<u>(1 182 722 78)</u>
Net Amount	<u>515 650 48</u>	<u>1 497 191 46</u>

Note 6 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – General Long-Term Debt

A summary of the changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Note payable – Dump Truck	<u>-</u>	<u>50 075 00</u>	<u>-</u>	<u>50 075 00</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 9 – Water and Sewer Bonds Payable

The following is a summary of the Village's long-term debt transactions for the year ended March 31, 2004:

	<u>Enterprise Funds</u>	
	<u>Water</u>	<u>Sewer</u>
	<u>Revenue Bonds</u>	<u>Revenue Bonds</u>
Debt outstanding April 1, 2003	\$160 000 00	\$655 000 00
Increase in long-term debt	-	-
Retirements and repayments	-	25 000 00
Debt outstanding March 31, 2004	<u>\$160 000 00</u>	<u>\$630 000 00</u>

Debt outstanding as of March 31, 2004, consisted of the following individual issues.

Enterprise Funds	
\$300,000 – 1991 water supply system bonds due in annual installments of \$15,000 to \$25,000 through May 1, 2011; interest at 5.4% to 7.0%	\$160 000 00
\$875,000 – 1983 sewer system bonds due in annual installments of \$20,000 to \$60,000 through August 1, 2019; interest at 5%	630 000 00
	<u>790 000 00</u>
Less current portion	<u>40 000 00</u>
Total long-term debt	<u>\$750 000 00</u>

The annual requirements to pay future principal and interest are as follows:

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
	<u>Revenue Bonds</u>	<u>Revenue Bonds</u>	
04-05	\$25 520	\$55 875	\$81 395
05-06	24 523	59 500	84 023
06-07	28 340	58 000	86 340
07-08	26 970	61 375	88 345
08-13	103 290	299 375	402 665
13-18	-	303 125	303 125
18-19	-	61 500	61 500
	<u>\$208 643</u>	<u>\$898 750</u>	<u>\$1 107 393</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 9 – Water and Sewer Bonds Payable (continued)

Outstanding revenue bonds are secured by a first lien on net revenues earned by Enterprise Funds. Net revenues are defined in the revenue bond agreements.

The reserved retained earnings in the Water Fund of \$86,818.67 and in the Sewer Fund of \$119,181.95 represent amounts reserved for debt service.

Note 10 – Note Payable – Dump Truck

On November 19, 2003, the Village obtained a \$50,075.00 loan from Chemical Bank to partially fund the purchase of a dump truck. The loan is repayable in ten semi-annual payments of \$5,219.24, including interest at the rate of 4.75% per annum. The semi-annual payments begin on May 17, 2004. As of March 31, 2004, the principal balance outstanding on the loan was \$50,075.00 and it is recorded in the General Long-Term Debt Account Group.

Note 11 – Pension Plan

The pension plan of the Village is a defined contribution plan, which provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the participant's account are to be determined rather than specifying the amount of benefits the participant will receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account. Contributions made by the Village vest immediately. The Village's required and actual contribution for the year ended March 31, 2004, was \$9,211.57.

Note 12 – Interfund Receivables and Payables

As of March 31, 2004, the Village had the following interfund receivables and payables:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	312 198 91	Water	165 606 13
		Sewer	83 314 92
		Major Street	21 359 80
		Local Street	41 918 06
	<u>312 198 91</u>		<u>312 198 91</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 12 – Interfund Receivables and Payables (continued)

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Sewer	751 38	General	751 38
Local Street	1 680 90	Major Street	1 680 90
Sewer	3 637 24	Major Street	3 637 24
Sewer	1 835 47	Water	1 835 47
Sewer	<u>7 632 44</u>	Local Street	<u>7 632 44</u>
Total	<u>327 736 34</u>	Total	<u>327 736 34</u>

Note 13 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Village made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Street	<u>9 431 06</u>	Major Street	<u>9 431 06</u>
Total	<u>9 431 06</u>	Total	<u>9 431 06</u>

Note 14 – Building Permits

The Village of Sheridan does not issue building permits. Building permits are issued by the County of Montcalm.

Note 15 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

VILLAGE OF SHERIDAN
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 1

Village Council:	
Wages	50 00
Audit	<u>1 063 00</u>
	<u>1 113 00</u>
President:	
Wages	375 00
Supplies	<u>20 00</u>
	<u>395 00</u>
Elections:	
Wages	297 50
Supplies	<u>137 85</u>
	<u>435 35</u>
Attorney:	
Professional services	<u>1 419 11</u>
Clerk:	
Salary	<u>8 395 39</u>
Treasurer:	
Salary	<u>27 305 79</u>
Village hall and grounds:	
Wages	31 571 52
Repairs and maintenance	19 322 19
Supplies	8 795 26
Printing and publishing	2 121 12
Utilities	32 426 63
Miscellaneous	<u>14 573 58</u>
	<u>108 810 30</u>
Cemetery	<u>532 89</u>
Fire protection:	
Contracted services	10 000 00
Hydrant rental	<u>6 480 00</u>
	<u>16 480 00</u>
Police protection:	
Contracted services	<u>17 861 78</u>
Parks:	
Operating supplies	118 30
Repairs and maintenance	<u>675 00</u>
	<u>793 30</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 2

Community center:	
Wages	4 525 00
Printing and publishing	1 423 90
Miscellaneous	<u>3 280 36</u>
	<u>9 229 26</u>
Insurance	<u>15 957 23</u>
Pension	<u>5 699 73</u>
Payroll taxes	<u>5 534 57</u>
Capital outlay	<u>87 495 00</u>
Total Expenditures	<u>307 457 70</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT G

	<u>M.V.H. - Major Street Fund</u>	<u>M.V.H. - Local Street Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	105 201 19	53 671 88	158 873 07
Due from State of Michigan	7 735 53	3 998 67	11 734 20
Due from other funds	<u>-</u>	<u>1 680 90</u>	<u>1 680 90</u>
Total Assets	<u>112 936 72</u>	<u>59 351 45</u>	<u>172 288 17</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	<u>26 677 94</u>	<u>49 550 50</u>	<u>76 228 44</u>
Total liabilities	<u>26 677 94</u>	<u>49 550 50</u>	<u>76 228 44</u>
Fund balances:			
Unreserved:			
Undesignated	<u>86 258 78</u>	<u>9 800 95</u>	<u>96 059 73</u>
Total fund balances	<u>86 258 78</u>	<u>9 800 95</u>	<u>96 059 73</u>
Total Liabilities and Fund Balances	<u>112 936 72</u>	<u>59 351 45</u>	<u>172 288 17</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT H
Year Ended March 31, 2004

	M.V.H. - Major Street Fund	M.V.H. - Local Street Fund	Total
Revenues:			
State revenue sharing	39 813 19	21 146 64	60 959 83
Interest	1 227 43	1 036 50	2 263 93
Miscellaneous	<u>2 256 25</u>	<u>2 126 25</u>	<u>4 382 50</u>
Total revenues	<u>43 296 87</u>	<u>24 309 39</u>	<u>67 606 26</u>
Expenditures:			
Administration:			
Professional services	1 772 40	1 772 40	3 544 80
Miscellaneous	260 31	250 00	510 31
Routine maintenance:			
Wages	3 062 50	6 582 99	9 645 49
Operating supplies	4 559 62	1 400 44	5 960 06
Repairs and maintenance	22 815 43	69 075 80	91 891 23
Equipment rental	5 200 69	11 380 02	16 580 71
Miscellaneous	1 933 96	3 531 21	5 465 17
Winter maintenance:			
Wages	574 70	916 43	1 491 13
Operating supplies	998 32	762 92	1 761 24
Equipment rental	924 04	1 296 31	2 220 35
Miscellaneous	<u>260 74</u>	<u>606 03</u>	<u>866 77</u>
Total expenditures	<u>42 362 71</u>	<u>97 574 55</u>	<u>139 937 26</u>
Excess (deficiency) of revenues over expenditures	<u>934 16</u>	<u>(73 265 16)</u>	<u>(72 331 00)</u>
Other financing sources (uses):			
Operating transfers in	-	9 431 06	9 431 06
Operating transfers out	<u>(9 431 06)</u>	<u>-</u>	<u>(9 431 06)</u>
Total other financing sources (uses)	<u>(9 431 06)</u>	<u>9 431 06</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(8 496 90)	(63 834 10)	(72 331 00)
Fund balances, April 1	<u>94 755 68</u>	<u>73 635 05</u>	<u>168 390 73</u>
Fund Balances, March 31	<u>86 258 78</u>	<u>9 800 95</u>	<u>96 059 73</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINING BALANCE SHEET – ALL ENTERPRISE FUNDS

March 31, 2004

EXHIBIT I

Page 1

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash in bank	213 121 60	126 179 17	339 300 77
Accounts receivable	20 026 42	22 972 20	42 998 62
Due from other funds	-	13 856 53	13 856 53
Total current assets	<u>233 148 02</u>	<u>163 007 90</u>	<u>396 155 92</u>
Restricted assets:			
Cash in bank	<u>86 818 67</u>	<u>119 181 95</u>	<u>206 000 62</u>
Total restricted assets	<u>86 818 67</u>	<u>119 181 95</u>	<u>206 000 62</u>
Fixed assets:			
Land	10 835 00	20 000 00	30 835 00
Buildings	-	171 248 07	171 248 07
Equipment	3 654 00	117 632 16	121 286 16
Sewer system	-	2 371 034 01	2 371 034 01
Water system	716 567 47	-	716 567 47
Accumulated depreciation	<u>(215 405 99)</u>	<u>(1 182 722 78)</u>	<u>(1 398 128 77)</u>
Net fixed assets	<u>515 650 48</u>	<u>1 497 191 46</u>	<u>2 012 841 94</u>
Deferred charges	<u>2 732 00</u>	<u>-</u>	<u>2 732 00</u>
Total Assets	<u>838 349 17</u>	<u>1 779 381 31</u>	<u>2 617 730 48</u>
<u>Liabilities and Fund Equity</u>			
Current liabilities:			
Accounts payable	845 10	-	845 10
Due to other funds	167 441 60	83 314 92	250 756 52
Note payable	-	4 669 68	4 669 68
Accrued interest payable	-	5 458 33	5 458 33
Current portion of long-term debt	<u>15 000 00</u>	<u>25 000 00</u>	<u>40 000 00</u>
Total current liabilities	<u>183 286 70</u>	<u>118 442 93</u>	<u>301 729 63</u>
Long-term liabilities:			
Bonds payable	160 000 00	630 000 00	790 000 00
Less current portion	<u>(15 000 00)</u>	<u>(25 000 00)</u>	<u>(40 000 00)</u>
Total long-term liabilities	<u>145 000 00</u>	<u>605 000 00</u>	<u>750 000 00</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINING BALANCE SHEET – ALL ENTERPRISE FUNDS
March 31, 2004

EXHIBIT I
Page 2

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Liabilities and Fund Equity</u> (continued)			
Fund equity:			
Contributed capital	367 200 03	61 277 57	428 477 60
Retained earnings:			
Reserved	86 818 67	119 181 95	206 000 62
Unreserved	<u>56 043 77</u>	<u>875 478 86</u>	<u>931 522 63</u>
Total fund equity	<u>510 062 47</u>	<u>1 055 938 38</u>	<u>1 566 000 85</u>
Total Liabilities and Fund Equity	<u>838 349 17</u>	<u>1 779 381 31</u>	<u>2 617 730 48</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN RETAINED EARNINGS – ALL ENTERPRISE FUNDS

EXHIBIT J

Year Ended March 31, 2004

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	63 272 39	39 239 79	102 512 18
Miscellaneous	<u>2 177 71</u>	<u>4 170 34</u>	<u>6 348 05</u>
Total operating revenues	<u>65 450 10</u>	<u>43 410 13</u>	<u>108 860 23</u>
Operating expenses:			
Wages	13 100 52	11 892 95	24 993 47
Benefits	5 943 71	5 395 83	11 339 54
Contracted services	8 402 91	1 422 40	9 825 31
Supplies	1 991 96	2 567 92	4 559 88
Utilities	3 519 85	6 427 53	9 947 38
Repairs and maintenance	10 889 42	21 905 69	32 795 11
Insurance	1 345 65	4 327 68	5 673 33
Equipment rental	9 059 74	5 737 18	14 796 92
Miscellaneous	<u>1 767 50</u>	<u>120 35</u>	<u>1 887 85</u>
Total operating expenses before depreciation	<u>56 021 26</u>	<u>59 797 53</u>	<u>115 818 79</u>
Operating income (loss) before depreciation	9 428 84	(16 387 40)	(6 958 56)
Less: depreciation	<u>(16 549 13)</u>	<u>(64 552 08)</u>	<u>(81 101 21)</u>
Operating income (loss)	<u>(7 120 29)</u>	<u>(80 939 48)</u>	<u>(88 059 77)</u>
Nonoperating income and (expense):			
Charges for debt service	23 748 48	57 916 09	81 664 57
Interest income	3 684 58	3 649 20	7 333 78
Interest expense	<u>(7 598 33)</u>	<u>(32 125 00)</u>	<u>(39 723 33)</u>
Net nonoperating income and (expense)	<u>19 834 73</u>	<u>29 440 29</u>	<u>49 275 02</u>
Net income (loss)	12 714 44	(51 499 19)	(38 784 75)
Retained earnings (deficit), April 1	<u>130 148 00</u>	<u>1 046 160 00</u>	<u>1 176 308 00</u>
Retained Earnings (Deficit), March 31	<u><u>142 862 44</u></u>	<u><u>994 660 81</u></u>	<u><u>1 137 523 25</u></u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINING STATEMENT OF CASH FLOWS -
ALL ENTERPRISE FUNDS
Year Ended March 31, 2004

EXHIBIT K
Page 1

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	61 957 97	37 190 97	99 148 94
Cash payments to suppliers for goods and services	(40 168 22)	(47 904 58)	(88 072 80)
Cash payments to employees for services	(13 100 52)	(11 892 95)	(24 993 47)
Other operating receipts	<u>2 177 71</u>	<u>4 170 34</u>	<u>6 348 05</u>
Net cash provided (used) for operating activities	<u>10 866 94</u>	<u>(18 436 22)</u>	<u>(7 569 28)</u>
Cash flows from non-capital and related financing activities:			
Increase (decrease) in amounts due to other funds	<u>22 062 60</u>	<u>9 492 39</u>	<u>31 554 99</u>
Net cash provided (used) for noncapital and related financing activities	<u>22 062 60</u>	<u>9 492 39</u>	<u>31 554 99</u>
Cash flows from capital and related financing activities:			
Charges for debt service	23 748 48	57 916 07	81 664 55
Principal paid on revenue bond notes payable maturities	-	(32 559 32)	(32 559 32)
Interest paid on revenue bonds and note payable	<u>(7 598 33)</u>	<u>(32 125 00)</u>	<u>(39 723 33)</u>
Net cash provided (used) for capital and related financing activities	<u>16 150 15</u>	<u>(6 768 25)</u>	<u>9 381 90</u>
Cash flows from investing activities:			
Interest income	<u>3 684 58</u>	<u>3 649 20</u>	<u>7 333 78</u>
Net cash provided (used) for investing activities	<u>3 684 58</u>	<u>3 649 20</u>	<u>7 333 78</u>
Net increase (decrease) in cash and cash equivalents	52 764 27	(12 062 88)	40 701 39
Cash and cash equivalents, April 1	<u>247 176 00</u>	<u>257 424 00</u>	<u>504 600 00</u>
Cash and Cash Equivalents, March 31	<u>299 940 27</u>	<u>245 361 12</u>	<u>545 301 39</u>

VILLAGE OF SHERIDAN
Montcalm County, Michigan

COMBINING STATEMENT OF CASH FLOWS -
ALL ENTERPRISE FUNDS
Year Ended March 31, 2004

EXHIBIT K
Page 2

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of operating to net cash provided (used) for operating activities:			
Operating income (loss)	(7 120 29)	(80 939 48)	(88 059 77)
Depreciation	16 549 13	64 552 08	81 101 21
Accounts receivable	(1 314 42)	(2 048 82)	(3 363 24)
Prepaid expenses	<u>2 752 52</u>	<u>-</u>	<u>2 752 52</u>
Net Cash Provided (Used) for Operating Activities	<u>10 866 94</u>	<u>(18 436 22)</u>	<u>(7 569 28)</u>

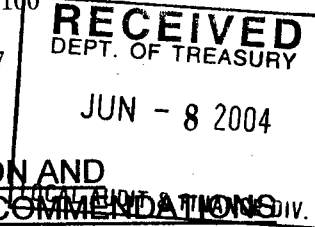
CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494



AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 14, 2004

To the Village Council
Village of Sheridan
Montcalm County, Michigan

We have audited the financial statements of the Village of Sheridan, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Sheridan in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Village Council
Village of Sheridan
Montcalm County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Village Council
Village of Sheridan
Montcalm County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Village of Sheridan will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Village will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

INVESTMENT POLICY

The Village of Sheridan has not adopted an investment policy which is required by State law. We recommend that the Village Council adopt an investment policy as soon as possible.

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,
Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants